MACQUARIE

Tax efficient investment

Case study: for financial advisers only

Objective

- Have more funds working for the investor.

Assumptions

- Michael currently earns $200,000 and is registered for Goods and Services Tax (GST).

Possible investment strategy

Michael's adviser recommends the following investment strategy:

- Michael invests in 40 Interests ($103,400 including GST) in the Tree Project.

Michael has read the Macquarie Forestry Investment 2011 PDS and is comfortable with the terms and risks of the investment.

Potential benefits

By implementing this simple investment strategy, Michael has achieved the following benefits:

- portfolio diversity by investing in an alternative asset class (that has low correlation with traditional asset classes)
- net increase in assets of $37,790
- opportunity to use the after tax cashflow to make further investments or start a savings plan.

The investment strategy has the following effect on Michael's individual position for the 2011 year:

	With strategy	Without strategy
Salary	$200,000	$200,000
Deduction from Tree Project Investment (excluding GST)*	$94,000	$0
Taxable income	$106,000	$200,000
Tax payable (including Medicare Levy)**	$28,760	$66,550
After tax cashflow	$77,240	$133,450
Tree Project Investment	$94,000	Nil
Total cash and investments	**$171,240**	**$133,450**

* Assumes the client is a member of the class of entities specified in the ATO Product Ruling, PR 2011/2.

** Assumes the client is an Australian tax resident and assumes 2011 tax rates and implications and the Medicare Levy of 1.5 per cent is payable, but ignoring the effects of a possible Medicare surcharge levy payable.

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